



Street Department – International Bridges Follow-Up Audit

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**City of El Paso, Texas
Internal Audit Office
Street Department – International Bridges Follow-Up Audit**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a follow-up on the Street Department – International Bridges Audit Report dated May 1, 2006. Upon completion of the audit fieldwork, we have determined the status of the recommendation for each audit finding as outlined in the table below:

Finding No.	Description of Finding	Status
1	The facilities and equipment are not conducive to the Bridges' operations and pose security concerns. The Santa Fe and Zaragoza Bridges lack a secure area for the armored car pick up/delivery of deposits and money bags.	In Progress
2	Several internal control weaknesses were identified in the Money Room operations regarding the preparation of starting money bags and the amounts distributed to toll collectors: <ul style="list-style-type: none">• At the Zaragoza Bridge different starting change amounts are used for the weekend work schedule.• Weekend activity is lapped. The amounts used to prepare starting bags for the weekend is inconsistent as starting change bag amounts for the corresponding day's activity include amounts for the next day's activity.• The Money Room sends an entire week's worth of change bags to the Stanton Bridge on a weekly basis.• Balancing and counting for the entire weekend activity is performed on Monday.• There is no verification of safe cash counts by management.	In Progress
3	The current count team has been in place for at least five years and the Money Room work area is cluttered. Employees are allowed to bring and keep their personal effects in the Money Room. There is no camera in the vault area recording daily activity.	In Progress
4	There is a lack of segregation of duties in the management of the Automatic Vehicle Identification (AVI) Program. The employee who opens accounts in the system also receives payments, posts payments, and makes the daily deposit.	In Progress
5	There is a lack of periodic management review of the reconciliation reports and verification/approval of daily entries performed by the Toll Collection Supervisors.	Implemented
6	Reconciliation of the monthly AVI receipts with the AVI POS Report generated by the Toll Collection Software is not properly documented through a formal Management review.	Implemented
7	The department lacks a Policies and Procedures Manual.	In Progress

For a detailed explanation of each of the findings and the current observations please refer to the appropriate finding contained in the body of this Audit Report.

Based on the results of this follow-up audit, five (5) of the original seven (7) findings are in progress of being implemented. Therefore, a second follow-up audit will be necessary to ensure that the remaining five (5) findings and associated recommendations are implemented.

BACKGROUND

The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing, Standard 2500.A1*, requires a post audit follow-up on all audit recommendations made to ascertain that appropriate action is taken on reported audit findings. The Internal Audit Office has conducted a follow-up audit of the Street Department - International Bridges Audit Report, dated May 1, 2006.

The International Bridges Division is responsible for operating and maintaining three City-owned International Bridges: Zaragoza, Stanton, and Paso Del Norte (Santa Fe). In addition, it facilitates international commerce by expediting the southbound crossings of pedestrians and commercial/passenger vehicles through toll plazas.

The International Bridges' main sources of revenue are pedestrian/vehicle crossings and property leases to third parties. For fiscal year 2006 the revenue collected totaled \$14,259,450.96.

AUDIT OBJECTIVES

The audit objective was to determine the status of the recommendations detailed in the original audit report which contained seven (7) findings requiring follow-up.

SCOPE & METHODOLOGY

The follow-up audit was limited to a review of the findings and recommendations detailed in the original audit report, dated May 1, 2006. The audit period covered the operations of the International Bridges from May 1, 2006 to the present. Audit fieldwork included interviewing key personnel, reviewing documents, observations, and testing management processes to determine the status of each recommendation.

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors.

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***ORIGINAL FINDINGS, ORIGINAL RECOMMENDATIONS, MANAGEMENT'S
RESPONSE TO ORIGINAL FINDINGS, CURRENT OBSERVATION, AND STATUS***

Based on the results of follow-up test work, each original finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Original Finding 1

Some of the facilities and equipment used are not conducive to the Bridges' operations and pose security concerns:

Santa Fe Bridge

- There is one makeshift pedestrian tollbooth out in the open.
- Lack of proper equipment and facility space to conduct daily operations.
- Armored car does not have access to parking adjacent to the tollbooth when picking up money bags. It has to stop on the street where there is considerable vehicular and pedestrian traffic.

Stanton Bridge

- The front main entrance door has regular-tempered safety glass and is susceptible to break in.
- The back door that grants access to the main office has a lock that can be easily disengaged.
- The exterior safety glass back door exits to a parking area where a booth belonging to a duty-free store is located. Employees working this booth have keys to the exterior back door to access the Stanton Office restrooms. Access to the operations room can be gained by using a credit card to pry open the wooden door lock. This door does not have a deadbolt locking mechanism.

Zaragoza Bridge

- Lacks a secure area for the armored car. The area behind the building is unprotected. There are border patrol and potential illegal immigrant activity present due to the facility being approximately 150 to 200 feet from the US/Mexico border.
- Patrons of the Automatic Vehicle Identification (AVI) Program are allowed into the office when making payments, which provides accessibility to the money room.
- Door hinges are placed on the outside of the door.

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Recommendation

We recommend that International Bridges management consider obtaining a security inspection from the City Police Department or a third-party security expert to determine vulnerabilities. In addition we recommend that management consider upgrades to facilities and equipment where feasible to improve security over operations. In addition, management should restrict access to the facility to authorized personnel only.

Management's Response

In response to the physical security findings, the Street Department has initiated corrective action for every significant finding with a long-term plan for upgrades and enhancements to facilities and immediate plans to satisfy each finding until such time that new facilities are constructed. The department sought the assistance of the Police Department Homeland Security Division for a vulnerability survey of the Zaragoza, Stanton, and Santa Fe Bridges on May 11, 2006.

Santa Fe Bridge – The “makeshift tollbooth” has since been removed and replaced with another temporary structure that is more fitting of the security concerns and the pedestrian volume. On May 16, 2006, the department installed a new temporary toll collection structure to service southbound pedestrians and bicyclists on the City’s easement of the southbound portion of the bridge. The Toll Collectors working inside this new temporary structure will be able to process all toll transactions from behind a security window with no direct exposure to pedestrians.

The department recognizes the security concern with the armored vehicle at this location. At the present time the City does not own the parking lot adjacent to the Toll Plaza. The Toll Plaza is not accessible by vehicle and the Armored Car needs to park in a location where they will not be blocked in by other vehicles.

A design plan for a new toll plaza will include the purchase of a parking lot adjacent to the Toll Plaza and construction of a new Toll Plaza (expected to be at least 1,500 square feet with multiple toll collection windows, a security room, office, and a secured garage for the armored security vehicle).

Stanton Bridge – The current Stanton Bridge Toll Plaza was constructed for use by U.S. Customs as office space. A wrought iron security gate with a cipher lock was installed on May 18, 2006 to the outside door of the front entrance. Regarding the back door of the Toll Plaza, the door leading outside has a secure metal plate on it and a dead bolt lock.

Employees of the UETA Duty Free store have turned in their keys to the back door and have been advised they may no longer access this building as of May 4, 2006. The door inside the building that leads to the operations room had a new deadbolt installed on May 4, 2006.

Zaragoza Bridge – A temporary security fence around the west perimeter of the building with a remote controlled access gate that will secure a portion of the parking lot, utility equipment, and access doors to the Money Room will be installed by September 1, 2006.

Patrons of the Automatic Vehicle Identification (AVI) Program will no longer be given access to the office when making payments. As of May 19, 2006, the employee that processes payments and paperwork has been moved. The department will tack-weld all of the outside-hinged doors pending a recommendation from the Police Department Homeland Security Officer.

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Responsible Party

Street Department Management will take responsibility for the long-term facilities' issues contingent on approval & funding of the Capital Improvement Program. Management will take immediate responsibility for the temporary solutions to the facilities along with the maintenance of those solutions.

Implementation Date

Santa Fe Bridge – Implementation of all temporary actions will be completed by July 1, 2006.
Stanton Bridge – Implementation of all temporary actions will be completed by July 1, 2006.
Zaragoza Bridge – Construction of the security gate and tack welding of all outer doors will be completed by September 1, 2006.

Current Observation

- A security inspection/vulnerability survey was conducted for all three bridges by the El Paso Police Department on May 15, 2006.

Santa Fe Bridge – Pending Implementation

- While the makeshift tollbooth was replaced with a temporary tollbooth, additional security concerns were noted:
 - The temporary toll booth door was open while pedestrians were paying their tolls.
 - There is no security camera located in the temporary tollbooth.
- There have been no improvements to the equipment or facility space needed to conduct daily operations.
- The armored car must still park in the street when picking up money bags.

Stanton Bridge - Implemented

- A wrought iron door with keypad combination entry was installed in the main entrance.
- A deadbolt lock was installed on the back door.
- The keys to the back door were confiscated from the UETA Duty Free employees and they are no longer allowed to use the restroom facilities.

Zaragoza Bridge - Implemented

- A rock fence and electric gate with an automated access control system was installed in December 2006; providing a secure area for the armored car.
- Patrons of the AVI Program use the pedestrian toll window to make payments eliminating the need for them to enter the building.
- Door hinges located on the outside of the door have been tack welded.

Status

In Progress – The Internal Audit Office is aware of a high-level initiative to address the long-term issue of correcting and improving the facilities at all three International Bridges. No further follow-up will be necessary for the facilities aspect of the finding. However, the security concern at the Santa Fe Bridge is still a concern. A second follow-up will be necessary to review the security concern at the Santa Fe Bridge.

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Original Finding 2

The following internal control weaknesses and risk areas were identified in the Money Room:

- According to the list of change amounts used by Money Room staff, inconsistent starting change bags amounts are used at the Zaragoza Bridge. Each day a different amount is used for change bags distributed to toll collectors. Depending on each Toll Collector's shift and assigned lane (passenger or commercial) each bag may contain different starting change amounts. For example:

Day	Amount used for all bags	Number of bags based on shifts	Each bag may contain:	
			From	To
Monday-Thursday	\$6,950.00	14	\$150.00	\$1,000.00
Friday	\$7,150.00	13	\$300.00	\$900.00
Saturday	\$4,150.00	7	\$350.00	\$850.00
Sunday	\$5,250.00	11	\$150.00	\$750.00

- The amounts used by the Money Room to prepare change bags for the weekend is inconsistent. Friday's Activity Report includes cash activity for Saturday. Saturday's Activity Reports includes cash activity for Sunday. Sunday's Activity Report includes cash activity for Monday.
- No daily balancing for weekend activity (Friday, Saturday, and Sunday). The entire weekend activity's balancing is performed on Monday.
- Stanton Bridge starting change bags are sent weekly. Every Tuesday a total of \$16,800.00 (\$2,400.00 @ 7 workdays) is delivered to the Stanton Bridge in 42 change bags with \$400.00 in each change bag.
- Management performs no verification of safe counts/audits. This is only performed when discrepancies are reported by Money Room staff.

Recommendation

The weekend activity should be balanced daily and amounts used as starting change money should be consistent on a daily basis. In addition, International Bridge Management should verify the safe count/audits on a periodic basis.

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Management's Response

- The current practice is a result of careful analysis of traffic activity flow through the bridges in order to determine the most effective starting cash amount per shift. Some shifts require more starting cash because the volume of traffic is greater and the collections will process more payments and require more change. The department believes that sending Toll Collectors to their collection stations with more cash than is necessary for their shifts presents a potential liability.
- The current practice of preparing change bags for weekend shifts is a result of having two positions in the department dedicated to this function that do not work on the weekends and maintain normal office hours. The remedy to this finding is dependent on the department's program improvement request for 2 additional Cashier II's as part of the FY 2007 Budget.
- To address the issue of balancing weekend's Activity Reports, along with daily Activity Reports, the department will utilize the additional Cashier II's that are proposed in the FY2007 Budget to balance daily (seven days a week). Going forward when these positions are in place, daily reconciliation will be conducted.
- Effective May 4, 2006, starting cash bags are now sent to the Stanton Bridge by the armored car service on Mondays, Wednesdays, and Fridays; as opposed to once a week.
- Effective May 22, 2006, the Bridge Manager is signing off to verify review of the reconciliation reports and forwarding a copy to the Street Department management for further review.

Responsible Party

Richard Bristol and Ray Mendoza

Implementation Date

Implementation of all proposed corrective action is October 1, 2006.

Chief Internal Auditor's Response

The Street Department is assuming a risk in continuing its practice of inconsistent starting change bags. Consistent starting change bag amounts are a strong internal control that allows management a monitoring process to mitigate the risk of loss.

Current Observation

- Amounts used as starting change have not been changed to be consistent on a daily basis. In the original audit report, Management decided to assume the risk of not implementing corrective actions regarding the inconsistent amounts used for starting change bags.
- Weekend activity is not being balanced daily.
- The Toll Collection Supervisor verifies safe audit randomly on a weekly basis.

Status

In Progress – The Department has had problems filling the two additional Senior Cashier positions needed to balance weekend activity. A second follow-up will be necessary due to the high risk associated with inconsistent change bags and not balancing weekend activity.

Original Finding 3

The following internal control weaknesses and risk areas were identified in the Money Room:

- The two individuals on the cash count team have been in these positions since November 12, 1990 and May 24, 2001. A total of fifteen years four months, and four years eight months respectively.
- There is no surveillance camera in the vault (this camera was moved to another location in the toll plaza to replace a camera that was not functioning).
- The Money Room area is very cluttered. This makes surveillance very difficult.
- Employees are allowed to bring personal effects such as wallets and purses into the Money Room during cash counts.

Recommendation

We recommend that the International Bridge Management improve its oversight over the Money Room controls by:

- Requiring job rotation for the current count team.
- Installing a camera in the vault.
- Cleaning up the count areas.
- Restricting personal items in the Money Room and requiring the count team to wear pocketless jumpsuits.

Management's Response

- The Street Department at the present time does not have another function or division in which a Cashier could be transferred or request transfer to. A program improvement request for 2 additional Cashier II positions would assist in this finding. This would allow for more shift rotation and the opportunity for other cashiers to transfer to the Street Department.
- Effective May 4, 2006, the surveillance camera in the vault has been re-installed inside the vault.
- Effective May 4, 2006, the Money Room has been cleaned out and cleared of all clutter. The Money Room now contains only the essential equipment and materials to perform its function.
- Effective May 18, 2006, the cashiers are now wearing pocket-less jumpsuits during their work shift in the money room. The department provides these pocketless jumpsuits. Personal effects are no longer permitted in the Money Room.

Responsible Party

Ray Mendoza

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Implementation Date

All corrective actions to these findings have been implemented.

Current Observation

- A job rotation has not been established for the current count team.
- A security camera has been installed in the vault.
- Improvements were made to the count areas to remove clutter. Cabinets were removed from walls and non-essential items are no longer being stored under the counters.
- Personal items have been restricted in the Money Room. Lockers have been assigned to every employee so that they can store personal items.
- The count team wears pocketless jumpsuits during their shift.

Status

In Progress – The Department has had problems filling the two additional Senior Cashier positions needed to establish a job rotation for the count team. A second follow-up will be necessary due to the high risk associated with not establishing a job rotation for the count team.

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Original Finding 4

There is a lack of segregation of duties in the management of over 649 AVI accounts. Currently, the Secretary I is responsible for opening and closing AVI accounts, receiving/processing payments, and updating master files. In addition, the Secretary I is responsible for entering all daily deposits in PeopleSoft, which include AVI receipts.

Recommendation

Responsibility for the AVI Program-related transactions should be divided among employees and security levels should be set accordingly for employees, and their access to records should be based on the specific needs of their functions.

Management's Response

The task of administering the AVI program was delegated to the Secretary I at the Zaragoza Bridge because this position handles correspondence, reception, and general administrative duties for the division. The Secretary I will continue to process the AVI accounts, receive and process payments, and maintain AVI records. All accounting activity, including all financial system transaction and reconciliation will be transferred to the administrative division of the department effective May 22, 2006.

Responsible Party

Richard Bristol & Ray Mendoza

Implementation Date

Street Department administrative staff has assumed the role of all accounting transactions for the AVI program effective May 22, 2006.

Current Observation

- In order to segregate duties over the AVI program, the responsibility of entering AVI deposits and journal entries in PeopleSoft was transferred from the Secretary I to the Street Department's Administrative Assistant. However, we found that the Secretary I still has access to enter deposits and journal entries in PeopleSoft.
- Currently, a total of seven employees with varying administrative levels have access to process and make corrections to AVI transactions. Three of the seven employees include the Electronics Technician and the Senior Cashiers. This results in increased errors and makes it difficult to identify the root cause of the errors.

Status

In Progress – A second follow-up will be necessary due to the risk associated with not maintaining security levels and restricting access to records based on the specific needs of employees' functions.

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Original Finding 5

Management does not review and approve daily entries in the Tour of Duty (TOD) spreadsheet. These entries are compiled by the Toll Collection Supervisors from the toll collection system-generated TOD Reports. The TOD spreadsheet is used to reconcile the Money Room counts with counts from the Toll Collection Computer System. Currently, Management reviews reconciliation reports only if there are balancing/reconciling problems.

Recommendation

The International Bridges Management should review and approve entries in the TOD spreadsheet by reviewing daily entries for accuracy on a periodic basis to properly monitor the daily activity.

Management's Response

Effective May 22, 2006, the Bridge Manager began signing off on the TOD Spreadsheet to indicate review and verification of all the reconciliation reports. A copy of these reports is then forwarded to the Street Department administration for follow up review. A program improvement request has been submitted for a Treasury Services Analyst that will strengthen the verification process.

Responsible Party

Ray Mendoza

Implementation Date

May 22, 2006

Current Observation

A review of the TOD Spreadsheets for the week of January 8-14, 2007 was performed. We found that the International Bridges Management reviews, makes comments, signs and dates the TOD Spreadsheets to indicate approval.

Status

Implemented.

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Original Finding 6

The Zaragoza Toll Collection Supervisor reconciles monthly AVI receipts with the AVI Point of Sale (POS) Report, but does not prepare a reconciliation report for Management review.

Recommendation

The International Bridges' Management should review and approve a reconciliation report of monthly AVI receipts with the AVI POS Report.

Management's Response

Effective May 22, 2006, the AVI POS Report and reconciliation are still reviewed by the Bridge Manager with the modification of signing the report for verification and acceptance. In addition, a copy will be forwarded to the Street Department administration for further review.

Responsible Party

Richard Bristol & Ray Mendoza

Implementation Date

May 22, 2006

Current Observation

A review of AVI reconciliations for October 2006 through January 2007 was performed. We found that reconciliations for October, November, and December 2006 were reviewed and approved. However, there was no reconciliation performed for January 2007 due to a technical problem with the AVI system. Beginning with the February 2007 activity, the performance of reconciliations will resume.

Status

Implemented.

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Original Finding 7

The Department lacks a formal Policies and Procedures Manual.

Recommendation

Management should draft and implement a control-related Policies and Procedures Manual.

Management's Response

The Department is in the process of updating policies and procedures department wide. The process of developing a Policy and Procedure Manual specific to Bridges is underway. This document will be inclusive and descriptive of all critical aspects of the bridge function. Copies of these policies and procedures will be provided to and reviewed with every Bridge employee.

Responsible Party

Richard Bristol & Ray Mendoza

Implementation Date

December 1, 2006 for 1st Draft.

Current Observation

The *Street Department – Bridge Division Operational Procedures Manual* has been drafted but has not been implemented. The draft has been submitted to Street Department Management for review and is pending approval.

Status

In Progress - A second follow-up will be necessary to ensure that the *Street Department – Bridge Division Operational Procedures Manual* is properly approved and implemented for consistent application of procedures.

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

Based on the results of this follow-up audit, we found that of the seven (7) original findings, two (2) have been implemented and five (5) are in progress of being implemented. Therefore, a second follow-up audit will be necessary to ensure that the remaining five (5) findings and associated recommendations are implemented. The findings which require follow-up are findings one (1), two (2), three (3), four (4), and seven (7).

We wish to thank the management and staff of the Street Department and International Bridges for their assistance and numerous courtesies extended during the completion of this audit.

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